

**MINUTES
EAGAR TOWN COUNCIL
WORK SESSION
22 W. 2nd St., Eagar, AZ
April 4, 2017 – 6:30 P.M.**

The Work Session was called to order.

COUNCIL PRESENT: Bryce Hamblin, Mayor
Steve Erhart, Vice Mayor
Debra Seeley
Allen Browning

COUNCIL ABSENT: John Phelps
James Nelson, Jr.

STAFF PRESENT: Bruce Ray, Interim Town Manager
Katie Brady, Finance Manager
Eva Wilson, Town Clerk
Mike Sweetser, Police Chief
Jeremiah Lloyd, Community Development Director
Frank Adams, Fire Chief
Roberta Reed, Town Magistrate

1. WORK SESSION TO DISCUSS THE FISCAL YEAR 2017-2018 TENTATIVE BUDGET

Interim Town Manager Bruce Ray brought the revised budget information as requested by the Council during their March 21st Planning Session.

Regarding the employee pay-for-performance wage increases, the first year will impact the 2017-2018 fiscal year budget with a \$37,259 increase. In fiscal year 2018-2019 the impact will be an additional \$38,877. In fiscal year 2019-2020, due to retirements, the Town will see a decrease of a negative \$11,893. The two following years approximates increases in the amount of \$34,898 and \$31,377.

Public Safety Personnel Retirement System (PSPRS) calculations have changed since the Council last received fiscal year 2017-2018 estimates. The difference is significant with this fiscal year's calculation at 47.24% at \$142,856; fiscal year 2017-2018 is increasing to 78.31% in the amount of \$304,000. This increase reflects when the police department was significantly short staffed. With a full staff the contribution rates of \$304,000 is most realistic for future years.

Mayor Bryce Hamblin noted that over five years, the proposed compensation scale will increase the Town's budget by \$130,573. Mr. Ray stated that the Town can keep up with the compensation increases according to budget trends. Mr. Ray stated that at 1% increases across the board the Town's coming budget will balance. Mr. Ray added that the Town will have difficulties spending down the Highway User Revenue Fund (HURF) unless more

projects are scheduled. The General Fund is gradually increasing as well. The only fund that may become concerning is the Utility Fund with the sunset of the User Fee in 2019.

Mayor Hamblin noted User Fees are going away and the situation with Bashas' is questionable; with \$130,000 increase to salaries, plus \$184,000 increase in PSPRS which cannot be controlled, he doesn't see how the Town can be tied to increased wages. Mr. Ray contended that if the compensation increase is given this coming year, the Council could chose not to do it again next year, and following years. Mayor Hamblin's experience is that the mentality is "that is the way it's always been done" and compensation increases will be routine. He would like to prevent the reduction of savings and not go into debt to fund wages.

Vice-Mayor Steve Erhart requested a proposal for a five-year plan to be within a much more reasonable amount for compensation increases. The worst case scenario proposed now is too significant.

Mayor Hamblin stated the Town is going to struggle keeping up with PSPRS increases and cannot see the Town committing to wage increases while PSPRS contribution rates are as they are. Mr. Ray asked if the Council would like to see the budget without wage increases. Mayor Hamblin added, with Bashas' requesting a one-year lease (from a five-year lease) he believes it would be negligent for the Town to propose wage increases. Vice-Mayor Erhart added that a loss of Bashas' would be an approximate \$160,000 loss of revenue annually.

Mr. Ray will bring back a revised budget for consideration of the tentative budget at the May council meeting. When the tentative budget is adopted the figures can only decrease before the adoption of the final budget.

Vice-Mayor Erhart stated the Town has considered to pay down the Greater Arizona Development Authority (GADA) bonds next year, as well, which is a \$2.5 million debt.

Councilor Winslow McNeill asked what other jurisdictions are doing about their PSPRS contribution rates. Mr. Ray stated not all agencies are seeing increases. The seven Eagar members of PSPRS are paying for the six PSPRS retired members making the rates high. Finance Manager Katie Brady added the PSPRS unfunded liability due to poor choices in funding the system by the dot com crash in 2002 and housing crash in 2008 are also significant players in the rates projected for the next ten years. The Eagar PSPRS will never hit under 78.31% contribution rate in the next ten years, with highs as high as 80.91%. This does not include the contribution rate that will be impacted by the Hall lawsuit against the fund which mandates that all members from 2011 through 2016 be reimbursed their contributions from 11.65% to 7.65%. Ms. Brady added that some agencies are proposing secondary and even primary property taxes.

Mayor Hamblin stated he will never propose a property tax.

Councilor McNeill asked if there are any provisions for opting out of PSPRS. Police Chief Mike Sweetser stated that is impossible as the members have a liability to fund the retirees;

the system is broke. The legislature made decisions that have been deemed unconstitutional and the PSPRS proposals to fix the system are uncertain.

Vice-Mayor Erhart asked Ms. Brady if the line item was added showing the General Fund line item for reserve funds. Ms. Brady did not in this budget document and she will have it in the next budget document in May. Vice-Mayor Erhart asked if that document can be emailed as soon as it is available.

Mr. Ray reiterated that the Council would like to see the wage increases removed from the 2017-2018 tentative budget, and the General Fund line item for reserve funds.

Councilor McNeill would like the Town to open communication with other agencies on their PSPRS solutions. Vice-Mayor Erhart suggested that could occur at the Apache and Navajo Counties Mayor and Councilmember Association meetings.

Council Work Session adjourned at 6:46 p.m.

Attest: _____

Mayor: _____

Vice-Mayor: _____

Council: _____

